

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

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Adair-Casey Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
Robert Kreimeyer	President	2006
Barry Orness	Vice President	2007
Nita Fagan	Board Member	2008
Tim James	Board Member	2008
Brian Plowman	Board Member	2007
Board of Education (After September 2006 Election)		
Barry Orness	President	2007
Tim James	Vice President	2008
Nita Fagan	Board Member	2008
Brian Plowman	Board Member	2007
Robert Kreimeyer	Board Member	2009
School Officials		
Steve Smith	Superintendent	2007
Theresa Elgin	District Secretary/ Treasurer	2007
Rick Engel	Attorney	2007

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(a professional corporation)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Adair-Casey Community School District, Adair, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 19, 2008 on our consideration of Adair-Casey Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Adair-Casey Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Adair-Casey Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,833,418 in fiscal 2006 to \$3,049,202 in fiscal 2007, while General Fund expenditures increased from \$2,788,884 in fiscal 2006 to \$2,974,370 in fiscal 2007. This resulted in an increase in the District's General Fund balance from \$455,299 in fiscal 2006 to a balance of \$530,131 in fiscal 2007, a 16.44% increase from the prior year.
- The increase in General Fund revenues was attributable to an increase in state and federal sources in fiscal 2007. The increase in expenditures was due primarily to an increase in regular instruction function.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Adair-Casey Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Adair-Casey Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Adair-Casey Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

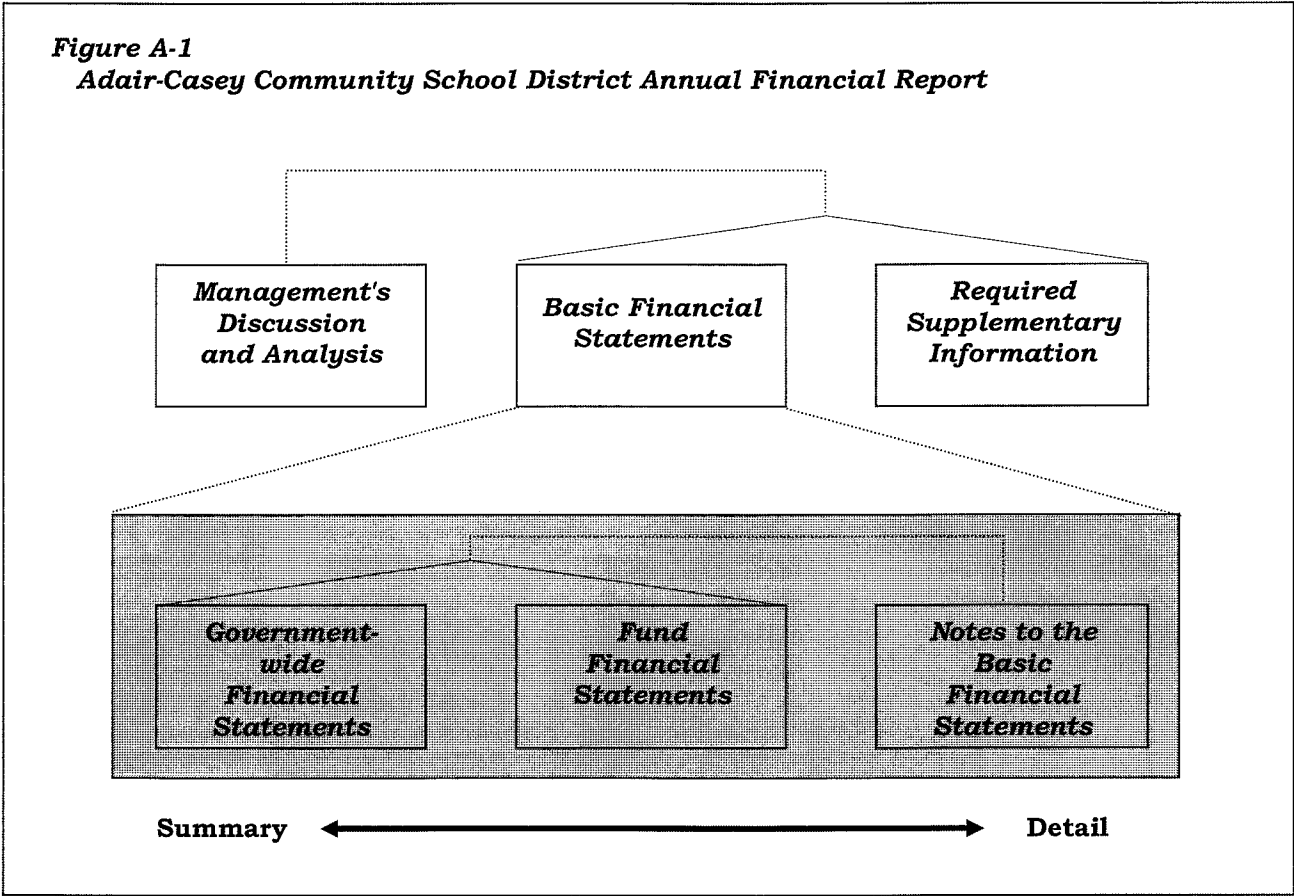


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's Internal Service Fund, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one Internal Service Fund, which accounts for the District's medical reimbursement plan.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

Private Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 2,732,459	2,425,454	34,410	26,497	2,766,869	2,451,951	12.84%
Capital assets	1,345,816	1,381,081	32,554	22,010	1,378,370	1,403,091	-1.76%
Total assets	4,078,275	3,806,535	66,964	48,507	4,145,239	3,855,042	7.53%
Long-term obligations	500,928	580,043	0	0	500,928	580,043	-13.64%
Other liabilities	1,658,889	1,518,411	7,271	1,768	1,666,160	1,520,179	9.60%
Total liabilities	2,159,817	2,098,454	7,271	1,768	2,167,088	2,100,222	3.18%
Net assets:							
Investment in capital assets, net of related debt	901,920	1,099,018	32,554	22,010	934,474	1,121,028	-16.64%
Restricted	435,392	369,528	0	0	435,392	369,528	17.82%
Unrestricted	581,146	239,535	27,139	24,729	608,285	264,264	130.18%
Total net assets	\$ 1,918,458	1,708,081	59,693	46,739	1,978,151	1,754,820	12.73%

The District's combined net assets increased by 12.73%, or \$223,331, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$65,864, or 17.82% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$344,021, or 130.18%. This increase in unrestricted net assets was a result of the District's increase in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 259,351	269,034	92,850	93,448	352,201	362,482	-2.84%
Operating grants and contributions and restricted interest	491,969	401,016	72,251	64,792	564,220	465,808	21.13%
Capital grants and contributions and restricted interest	0	1,116	0	0	0	1,116	-100.00%
General revenues:							
Property tax	1,339,241	1,310,555	0	0	1,339,241	1,310,555	2.19%
Local option sales and services tax	190,606	129,294	0	0	190,606	129,294	47.42%
Unrestricted state grants	1,270,001	1,173,595	0	0	1,270,001	1,173,595	8.21%
Other	68,899	40,990	97	58	68,996	41,048	68.09%
Total revenues	3,620,067	3,325,600	165,198	158,298	3,785,265	3,483,898	8.65%
Program expenses:							
Governmental activities:							
Instructional	2,069,975	1,871,279	0	0	2,069,975	1,871,279	10.62%
Support services	1,052,231	1,003,673	2,796	4,673	1,055,027	1,008,346	4.63%
Non-instructional programs	0	0	163,688	158,640	163,688	158,640	3.18%
Other expenses	287,484	278,235	0	0	287,484	278,235	3.32%
Total expenses	3,409,690	3,153,187	166,484	163,313	3,576,174	3,316,500	7.83%
Excess(deficiency) of revenues over(under) expenses before capital contributions	210,377	172,413	(1,286)	(5,015)	209,091	167,398	24.91%
Capital contributions	0	0	14,240	0	14,240	0	100.00%
Change in net assets	210,377	172,413	12,954	(5,015)	223,331	167,398	33.41%
Beginning net assets	1,708,081	1,535,668	46,739	51,754	1,754,820	1,587,422	10.55%
Ending net assets	\$ 1,918,458	1,708,081	59,693	46,739	1,978,151	1,754,820	12.73%

In fiscal 2007, property tax, local option sales and services tax and unrestricted state grants account for 77.34% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.94% of the revenue from business-type activities.

The District's total revenues were \$3,785,265 of which \$3,620,067 was for governmental activities and \$165,198 was for business-type activities.

As shown in Figure A-4, the District as a whole experienced an 8.65% increase in revenues and a 7.83% increase in expenses. Property tax increased by \$28,686 to fund the expenditures. The increases in expenses were related to increases in instructional expenses.

Governmental Activities

Revenues for governmental activities were \$3,620,067 and expenses were \$3,409,690.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
Instruction	\$ 2,069,975	1,871,279	10.62%	1,423,638	1,302,481	1,299,767
Support services	1,052,231	1,003,673	4.84%	1,052,231	1,003,673	1,042,467
Other expenses	287,484	278,235	3.32%	182,501	175,867	139,767
Totals	<u>\$ 3,409,690</u>	<u>3,153,187</u>	<u>8.13%</u>	<u>2,658,370</u>	<u>2,482,021</u>	<u>2,482,001</u>

- The cost financed by users of the District's programs was \$259,351.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$491,969.
- The net cost of governmental activities was financed with \$1,339,241 in property tax, \$190,606 in local option sales and services tax, \$1,270,001 in unrestricted state grants, \$15,674 in interest income and \$53,225 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$165,198 and expenses were \$166,484. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Adair-Casey Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$987,117, above last year's ending fund balance of \$816,380. The primary reason for the increase in combined fund balance in fiscal 2007 is due to the increase in federal grant monies received by the District.

Governmental Fund Highlights

- The District's General Fund balance increased from \$455,299 on June 30, 2006 to \$530,131 on June 30, 2007. The fluctuation in the District's General Fund financial position is the product of many factors. An increase in state and federal revenue during the year resulted in an increase in total revenues. The increase in expenditures was due to the increase in regular instruction expenditures. Revenues exceeded expenditures ensuring the increase in the District's financial position.
- The Management fund balance increased from \$150,853 in 2006 to \$180,023 in 2007. This resulted from a decrease in expenditures.

- The Capital Projects fund balance increased from \$125,929 in 2006 to \$175,377 in 2007. This resulted from an increase in local option sales and service tax revenues received during the year.

Proprietary Fund Highlights

The Proprietary Fund net assets decreased from \$46,739 at June 30, 2006 to \$59,693 at June 30, 2007, representing an increase of 27.72%.

BUDGETARY HIGHLIGHTS

The District's revenues were \$21,837 less than budgeted revenues, a variance of 0.57%. The most significant variance resulted from the District receiving less in state sources than originally anticipated.

Total expenditures were less than budgeted, primarily to the District's budget for the General Fund. It is not the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District's budget is developed utilizing realistic projections of revenues and expenditures. The district then manages or controls General Fund spending through its line-item budget. In situations where revenues exceed projections, and expenditures do not exceed spending authority, the Board may take action to amend the budget authorizing additional expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,378,370, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net decrease of 1.79% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$175,159.

The original cost of the District's capital assets was \$4,590,175. Governmental funds account for \$4,497,153 with the remainder of \$93,022 in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$200,259 at June 30, 2007, compared to \$106,543 reported at June 30, 2006. The increase in machinery and equipment was due to purchases throughout the fiscal 2007.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 3,714	3,714	0	0	3,714	3,714	0.00%
Buildings	249,331	308,968	0	0	249,331	308,968	-23.92%
Land improvements	925,066	983,866	0	0	925,066	983,866	-6.36%
Machinery and equipment	167,705	84,533	32,554	22,010	200,259	106,543	46.80%
Total	\$ 1,345,816	1,381,081	32,554	22,010	1,378,370	1,403,091	-1.79%

Long-Term Debt

At June 30, 2007, the District had \$500,928 in long-term debt outstanding. This represents a decrease of 13.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding capital loan note payable of \$73,500 at June 30, 2007.

The District had total outstanding energy capital loan notes payable of \$370,396 at June 30, 2007.

The District had early retirement payable of \$57,032 at June 30, 2007.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2007	2006	
Capital loan note	\$ 73,500	108,000	-31.9%
Energy capital loan notes	370,396	472,043	-21.5%
Early Retirement	57,032	0	100.0%
Totals	<u>\$ 500,928</u>	<u>580,043</u>	<u>-13.6%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is expected to remain in good financial health far into the future. Budgeting practices such as making sure expenditures do not exceed revenues, even during challenging years like FY 07, combined with a solid foundation of cash balance and unspent balance, allow the District to provide the resources needed for excellent student achievement while still keeping the tax burden reasonable. However, costs outside the Board's control such as continual increases in health insurance and utility costs are worrisome, and employee contract settlements will also have an effect on the District's financial viability.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Theresa Elgin, Board Secretary, Adair-Casey Community School District, 3384 Indigo Avenue, Adair, Iowa, 50002.

BASIC FINANCIAL STATEMENTS

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 1,180,310	27,080	1,207,390
Receivables:			
Property tax:			
Delinquent	22,973	0	22,973
Succeeding year	1,308,709	0	1,308,709
Income surtax	90,088	0	90,088
Accounts	2,440	4,973	7,413
Due from other governments	127,939	0	127,939
Inventories	0	2,357	2,357
Capital assets, net of accumulated depreciation(Note 4)	1,345,816	32,554	1,378,370
TOTAL ASSETS	4,078,275	66,964	4,145,239
LIABILITIES			
Accounts payable	110,592	5	110,597
Salaries and benefits payable	223,894	5,840	229,734
Interest payable	3,635	0	3,635
Deferred revenue:			
Succeeding year property tax	1,308,709	0	1,308,709
Other	12,059	0	12,059
Unearned revenue	0	1,426	1,426
Long-term liabilities(Note 5):			
Portion due within one year:			
Capital loan notes payable	140,928	0	140,928
Early retirement payable	39,578	0	39,578
Portion due after one year:			
Capital loan notes payable	302,968	0	302,968
Early retirement payable	17,454	0	17,454
TOTAL LIABILITIES	2,159,817	7,271	2,167,088
NET ASSETS			
Investment in capital assets, net of related debt	901,920	32,554	934,474
Restricted for:			
Early intervention	31,346	0	31,346
Professional development	814	0	814
Additional professional development	2,891	0	2,891
Market factor	387	0	387
Capital projects	175,377	0	175,377
Physical plant and equipment levy	39,539	0	39,539
Management levy	122,991	0	122,991
Other special revenue purposes	62,047	0	62,047
Unrestricted	581,146	27,139	608,285
TOTAL NET ASSETS	\$ 1,918,458	59,693	1,978,151

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,273,292	89,554	369,886	(813,852)	0	(813,852)
Special instruction	358,292	28,193	17,100	(312,999)	0	(312,999)
Other instruction	438,391	141,604	0	(296,787)	0	(296,787)
	<u>2,069,975</u>	<u>259,351</u>	<u>386,986</u>	<u>(1,423,638)</u>	<u>0</u>	<u>(1,423,638)</u>
Support services:						
Student services	11,325	0	0	(11,325)	0	(11,325)
Instructional staff services	175,322	0	0	(175,322)	0	(175,322)
Administration services	322,818	0	0	(322,818)	0	(322,818)
Operation and maintenance of plant services	305,100	0	0	(305,100)	0	(305,100)
Transportation services	237,666	0	0	(237,666)	0	(237,666)
	<u>1,052,231</u>	<u>0</u>	<u>0</u>	<u>(1,052,231)</u>	<u>0</u>	<u>(1,052,231)</u>
Other expenditures:						
Facilities and acquisitions	30,391	0	0	(30,391)	0	(30,391)
Long-term debt interest	26,324	0	0	(26,324)	0	(26,324)
AEA flowthrough	104,983	0	104,983	0	0	0
Depreciation(unallocated)*	125,786	0	0	(125,786)	0	(125,786)
	<u>287,484</u>	<u>0</u>	<u>104,983</u>	<u>(182,501)</u>	<u>0</u>	<u>(182,501)</u>
Total governmental activities	3,409,690	259,351	491,969	(2,658,370)	0	(2,658,370)
Business-Type activities:						
Support services:						
Administration services	727	0	0	0	(727)	(727)
Operation and maintenance of plant services	2,069	0	0	0	(2,069)	(2,069)
	<u>2,796</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(2,796)</u>	<u>(2,796)</u>
Non-instructional programs:						
Food service operations	163,688	92,850	72,251	0	1,413	1,413
Total business-type activities	166,484	92,850	72,251	0	(1,383)	(1,383)
Total	<u>\$ 3,576,174</u>	<u>352,201</u>	<u>564,220</u>	<u>(2,658,370)</u>	<u>(1,383)</u>	<u>(2,659,753)</u>
General Revenues:						
Local tax for:						
General purposes			\$ 1,197,929	0	1,197,929	
Capital outlay			141,312	0	141,312	
Local option sales and services tax			190,606	0	190,606	
Unrestricted state grants			1,270,001	0	1,270,001	
Unrestricted investment earnings			15,674	97	15,771	
Other general revenues			53,225	0	53,225	
Total general revenues			<u>2,868,747</u>	<u>97</u>	<u>2,868,844</u>	
Changes in net assets before other financing sources			210,377	(1,286)	209,091	
Other financing sources:						
Capital contributions			0	14,240	14,240	
Change in net assets			210,377	12,954	223,331	
Net assets beginning of year			1,708,081	46,739	1,754,820	
Net assets end of year			<u>\$ 1,918,458</u>	<u>59,693</u>	<u>1,978,151</u>	

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 757,851	178,620	138,386	105,027	1,179,884
Receivables:					
Property tax:					
Delinquent	20,158	1,403	0	1,412	22,973
Succeeding year	1,189,318	30,000	0	89,391	1,308,709
Income surtax	45,044	0	0	45,044	90,088
Accounts	1,719	0	0	721	2,440
Due from other governments	90,948	0	36,991	0	127,939
Total assets	\$ 2,105,038	210,023	175,377	241,595	2,732,033
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 104,592	0	0	5,574	110,166
Salaries and benefits payable	223,894	0	0	0	223,894
Deferred revenue:					
Succeeding year property tax	1,189,318	30,000	0	89,391	1,308,709
Income surtax	45,044	0	0	45,044	90,088
Other	12,059	0	0	0	12,059
Total liabilities	1,574,907	30,000	0	140,009	1,744,916
Fund balances:					
Reserved for:					
Early intervention	31,346	0	0	0	31,346
Professional development	814	0	0	0	814
Additional professional development	2,891	0	0	0	2,891
Market factor	387	0	0	0	387
Unreserved:					
General	494,693	0	0	0	494,693
Management	0	180,023	0	0	180,023
Capital Projects	0	0	175,377	0	175,377
Physical plant and equipment levy	0	0	0	39,539	39,539
Other special revenue purposes	0	0	0	62,047	62,047
Total fund balances	530,131	180,023	175,377	101,586	987,117
Total liabilities and fund balances	\$ 2,105,038	210,023	175,377	241,595	2,732,033

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 987,117
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	1,345,816
Accounts receivable income surtax, are not yet available to finance expenditures of the current period.	90,088
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,635)
Long-term liabilities, including capital loan notes payable and early retirement payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(500,928)
Net assets of governmental activites (page 13)	<u><u>\$ 1,918,458</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Management	Capital Projects	Other Nonmajor Governmental Funds	Total
Revenues:					
Local sources:					
Local tax	\$ 1,128,081	75,025	190,606	141,312	1,535,024
Tuition	111,963	0	0	0	111,963
Other	75,259	5,632	322	163,145	244,358
Intermediate sources	3,868	0	0	0	3,868
State sources	1,547,929	0	0	0	1,547,929
Federal sources	174,598	0	0	0	174,598
Total revenues	3,041,698	80,657	190,928	304,457	3,617,740
Expenditures:					
Current:					
Instruction:					
Regular instruction	1,215,190	0	0	0	1,215,190
Special instruction	358,292	0	0	0	358,292
Other instruction	277,058	0	0	161,333	438,391
	1,850,540	0	0	161,333	2,011,873
Support services:					
Student services	11,325	0	0	0	11,325
Instructional staff services	175,322	0	0	0	175,322
Administration services	319,315	3,503	0	0	322,818
Operation and maintenance of plant services	270,793	39,094	0	0	309,887
Transportation services	186,967	8,890	121,264	0	317,121
	963,722	51,487	121,264	0	1,136,473
Other expenditures:					
Facilities acquisitions	0	0	20,216	17,524	37,740
Long-term debt:					
Principal	0	0	0	136,147	136,147
Interest and fiscal charges	0	0	0	27,291	27,291
AEA flowthrough	104,983	0	0	0	104,983
	104,983	0	20,216	180,962	306,161
Total expenditures	2,919,245	51,487	141,480	342,295	3,454,507
Excess(deficiency) of revenues over(under) expenditures	122,453	29,170	49,448	(37,838)	163,233
Other financing sources(uses):					
Transfers in	0	0	0	163,438	163,438
Transfers out	(55,125)	0	0	(108,313)	(163,438)
Compensation for loss of fixed assets	6,019	0	0	0	6,019
Sale of equipment	1,485	0	0	0	1,485
Total other financing sources(uses)	(47,621)	0	0	55,125	7,504
Net change in fund balances	74,832	29,170	49,448	17,287	170,737
Fund balance beginning of year	455,299	150,853	125,929	84,299	816,380
Fund balance end of year	\$ 530,131	180,023	175,377	101,586	987,117

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 170,737

**Amounts reported for governmental activities in the
 statement of activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 136,198	
Depreciation expense	<u>(171,463)</u>	(35,265)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

136,147

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

967

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

(5,177)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>(57,032)</u>
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Changes in net assets of governmental activities (page 14)

\$ 210,377

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
ASSETS		
Cash and pooled investments	\$ 27,080	426
Accounts receivable	4,973	0
Inventories	2,357	0
Capital assets, net of accumulated depreciation(Note 4)	32,554	0
TOTAL ASSETS	66,964	426
LIABILITIES		
Accounts payable	5	426
Salaries and benefits payable	5,840	0
Unearned revenue	1,426	0
TOTAL LIABILITIES	7,271	426
NET ASSETS		
Investment in capital assets, net of related debt	32,554	0
Unrestricted	27,139	0
TOTAL NET ASSETS	\$ 59,693	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School	Internal
	Nutrition	Service Fund
Operating revenues:		
Local sources:		
Charges for services	\$ 92,850	16,660
Total operating revenues	92,850	16,660
Operating expenses:		
Support services:		
Administration services:		
Services	100	16,660
Other	627	0
Operation and maintenance of plant services:		
Services	2,069	0
	2,796	16,660
Non-instructional programs:		
Food service operations:		
Salaries	58,409	0
Benefits	13,461	0
Supplies	87,968	0
Depreciation	3,696	0
Other	154	0
	163,688	0
Total operating expenses	166,484	16,660
Operating loss	(73,634)	0
Non-operating revenues:		
State sources	2,148	0
Federal sources	70,103	0
Interest income	97	0
Total non-operating revenues	72,348	0
Change in net assets before other financing sources	(1,286)	0
Other financing sources:		
Capital contributions	14,240	0
Change in net assets	12,954	0
Net assets beginning of year	46,739	0
Net assets end of year	\$ 59,693	0

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	Business-type Activities:	
	Enterprise Fund	Governmental Activities:
	School Nutrition	Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 85,421	0
Cash received from miscellaneous	2,494	16,660
Cash payments to employees for services	(66,030)	0
Cash payments to suppliers for goods or services	(84,683)	(16,338)
Net cash provided by(used in) operating activities	(62,798)	322
Cash flows from non-capital financing activities:		
State grants received	2,148	0
Federal grants received	62,627	0
Net cash provided by non-capital financing activities	64,775	0
Cash flows from investing activities:		
Interest on investments	97	0
Net cash provided by investing activities	97	0
Net increase in cash and cash equivalents	2,074	322
Cash and cash equivalents at beginning of year	25,006	104
Cash and cash equivalents at end of year	\$ 27,080	426
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (73,634)	0
Adjustments to reconcile operating loss to net cash provided by(used in) operating activities:		
Commodities consumed	7,476	0
Depreciation	3,696	0
Increase in inventories	(866)	0
Increase in accounts receivable	(4,973)	0
Increase(decrease) in accounts payable	(375)	322
Increase in salaries and benefits payable	5,840	0
Increase in deferred revenue	38	0
Net cash used in operating activities	\$ (62,798)	322
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 27,080	426

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received Federal commodities valued at \$7,476.

During the year ended June 30, 2007, the District received \$14,240 in capital contributions from Capital Projects Fund.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007

	<u>Private Purpose</u>
	<u>Trust</u>
	<u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 183,871
Total assets	<u>183,871</u>
Liabilities	<u>0</u>
Net assets	
Reserved for scholarships	<u>\$ 183,871</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2007

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest income	\$ 7,350
Total additions	<u>7,350</u>
Deductions:	
Instruction:	
Scholarships awarded	<u>4,000</u>
Change in net assets	3,350
Net assets beginning of year	<u>180,521</u>
Net assets end of year	<u><u>\$ 183,871</u></u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The Adair-Casey Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the cities of Adair and Casey, Iowa, and the predominate agricultural territory in Adair, Guthrie and Audubon Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Adair-Casey Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Adair-Casey Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Adair, Guthrie and Audubon Counties Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Management Fund is utilized to account for the payment of property insurance, early retirement benefits and unemployment benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The Nutrition fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical reimbursement plan. The Internal

Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is The Private Purpose Trust Fund.

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements

issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	5-20 years
Machinery and equipment	3-15 years

Salaries and Benefits Payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the

current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2007, the District had investments in certificates of deposits as follows:

	Fair Value
Certificates of deposit	\$ 22,541

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months or receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

(3) Transfers

The detail of transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 55,125
Debt Service	Special Revenue, Physical plant and Equipment Levy	108,313
Total		\$ 163,438

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 93,190	14,240	14,408	93,022
Less accumulated depreciation	71,180	3,696	14,408	60,468
Business-type activities capital assets, net	\$ 22,010	10,544	0	32,554

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,714	0	0	3,714
Total capital assets not being depreciated	3,714	0	0	3,714
Capital assets being depreciated:				
Buildings	1,472,664	0	0	1,472,664
Land improvements	2,415,527	7,349	0	2,422,876
Machinery and equipment	537,988	128,849	68,938	597,899
Total capital assets being depreciated	4,426,179	136,198	68,938	4,493,439
Less accumulated depreciation for:				
Buildings	1,163,696	59,637	0	1,223,333
Land improvements	1,431,661	66,149	0	1,497,810
Machinery and equipment	453,455	45,677	68,938	430,194
Total accumulated depreciation	3,048,812	171,463	68,938	3,151,337
Total capital assets being depreciated, net	1,377,367	(35,265)	0	1,342,102
Governmental activities capital assets, net	\$ 1,381,081	(35,265)	0	1,345,816

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Other	\$ 1,070
Support services:	
Operation and maintenance of plant	798
Transportation	43,809
	45,677
Unallocated depreciation	125,786
Total governmental activities depreciation expense	\$ 171,463
Business-type activities:	
Food services	\$ 3,696
Total business-type activities depreciation expense	\$ 3,696

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Capital loan note	\$ 108,000	0	34,500	73,500	36,000
Energy Capital loan notes	472,043	0	101,647	370,396	104,928
Early retirement	0	57,032	0	57,032	39,578
Total	\$ 580,043	57,032	136,147	500,928	180,506

Capital Loan Note Payable

Details of the District's June 30, 2007 capital loan note indebtedness paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.25 %	\$ 36,000	2,359	38,359
2009	4.25	37,500	797	38,297
Total		\$ 73,500	3,156	76,656

Energy Capital Loan Notes Payable

The District issued \$525,000 of energy capital loan notes during the year ended June 30, 2000. Details of the District's June 30, 2007 energy capital loan note indebtedness which is paid from the Special Revenue, Physical Plant and Equipment Levy Fund is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	5.71 %	\$ 59,932	10,028	69,960
2009	5.71	63,398	6,558	69,956
2010	5.71	67,066	2,886	69,952
Total		\$ 190,396	19,472	209,868

The District issued \$450,000 of energy capital loan notes during the year ended June 30, 2002. Details of the District's June 30, 2007 energy capital loan note indebtedness which is paid from the General Fund.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2008	4.50 %	\$ 45,000	8,100	53,100
2009	4.50	45,000	6,075	51,075
2010	4.50	45,000	4,050	49,050
2011	4.50	45,000	2,025	47,025
Total		\$ 180,000	20,250	200,250

Total Energy Capital Loan Notes	\$ 370,396	39,722	410,118
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(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$101,598, \$99,319, and \$96,399 respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association was formed in July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: medical, dental, vision and prescription drugs.

The District's contributions, which include deficit recovery assessments, to the risk pool are recorded as expenditures from its General Fund at the time of payment to the risk pool. District contributions to ISEBA for the year ended June 30, 2007 were \$259,681.

Members agree to continue membership in the pool for a period of not less than one full year. After such a period, a member who has given 30 days prior written notice may withdraw.

Adair-Casey Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$104,983 for the year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental	Proprietary	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Fund Types	Fund Type		Original	Final	
	Actual	Actual	Actual			
Revenues:						
Local sources	\$ 1,891,345	92,947	1,984,292	1,975,754	1,975,754	8,538
Intermediate sources	3,868	0	3,868	500	500	3,368
State sources	1,547,929	2,148	1,550,077	1,610,221	1,610,221	(60,144)
Federal sources	174,598	70,103	244,701	218,300	218,300	26,401
Total revenues	3,617,740	165,198	3,782,938	3,804,775	3,804,775	(21,837)
Expenditures:						
Instruction	2,011,873	0	2,011,873	2,309,728	2,309,728	297,855
Support services	1,136,473	2,796	1,139,269	1,276,800	1,276,800	137,531
Non-instructional programs	0	163,688	163,688	221,003	221,003	57,315
Other expenditures	306,161	0	306,161	498,389	498,389	192,228
Total expenditures	3,454,507	166,484	3,620,991	4,305,920	4,305,920	684,929
Excess(deficiency) of revenues over(under) expenditures	163,233	(1,286)	161,947	(501,145)	(501,145)	663,092
Other financing sources, net	7,504	14,240	21,744	2,000	2,000	19,744
Excess(deficiency) of revenues and other financing sources over(under) expenditures	170,737	12,954	183,691	(499,145)	(499,145)	682,836
Balance beginning of year	816,380	46,739	863,119	916,804	916,804	(53,685)
Balance end of year	\$ 987,117	59,693	1,046,810	417,659	417,659	629,151

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparison for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Nonmajor Special Revenue Funds		
	Student	Physical	Total
	Activity	Plant and	Special
		Equipment	Revenue
		Levy	Funds
ASSETS			
Cash and pooled investments	\$ 66,900	38,127	105,027
Receivables:			
Property tax:			
Current year delinquent	0	1,412	1,412
Succeeding year	0	89,391	89,391
Income surtax	0	45,044	45,044
Accounts	721	0	721
TOTAL ASSETS	\$ 67,621	173,974	241,595
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 5,574	0	5,574
Deferred revenue:			
Succeeding year property tax	0	89,391	89,391
Income surtax	0	45,044	45,044
	5,574	134,435	140,009
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	62,047	39,539	101,586
Total fund balances	62,047	39,539	101,586
TOTAL LIABILITIES AND FUND EQUITY	\$ 67,621	173,974	241,595

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Nonmajor Special Revenue Funds				Total
	Physical	Total			Other
	Plant and	Special			Nonmajor
	Equipment	Revenue	Debt		Governmental
	Levy	Funds	Service		Funds
Student Activity					
Revenues:					
Local sources:					
Local tax	\$ 0	141,312	141,312	0	141,312
Other	162,223	922	163,145	0	163,145
Total revenues	162,223	142,234	304,457	0	304,457
Expenditures:					
Current:					
Instruction:					
Other instruction	161,333	0	161,333	0	161,333
Other expenditures:					
Facilities acquisitions	0	17,524	17,524	0	17,524
Long-term debt:					
Principal	0	0	0	136,147	136,147
Interest and fiscal charges	0	0	0	27,291	27,291
Total expenditures	161,333	17,524	178,857	163,438	342,295
Excess(deficiency) of revenues over(under) expenditures	890	124,710	125,600	(163,438)	(37,838)
Other financing sources(uses):					
Transfer in	0	0	0	163,438	163,438
Transfer out	0	(108,313)	(108,313)	0	(108,313)
Total other financing sources(uses)	0	(108,313)	(108,313)	163,438	55,125
Net change in fund balances	890	16,397	17,287	0	17,287
Fund balance beginning of year	61,157	23,142	84,299	0	84,299
Fund balance end of year	\$ 62,047	39,539	101,586	0	101,586

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Annual	\$ 0	3,639	3,768	(129)
After Prom	1,155	7,617	7,534	1,238
Athletics	39,868	61,869	57,495	44,242
Band	138	145	87	196
Cheerleading Basketball	663	200	634	229
Cheerleading Football	420	460	2,128	(1,248)
Class of 2006	254	0	30	224
Class of 2007	2,443	22,262	24,377	328
Class of 2008	0	12,214	10,765	1,449
Class of 2009	7	0	0	7
Class of 2010	1	0	0	1
Drama/SP	1,871	1,806	1,620	2,057
Drill Team	2,290	1,813	2,191	1,912
FFA	7,910	34,709	33,722	8,897
FFA-Video	1,498	5,600	6,333	765
Music Boosters	1,531	5,590	5,855	1,266
National Honor Society	821	637	691	767
Science	2	0	0	2
Student Council	202	3,001	4,023	(820)
Vocal	83	145	0	228
Interest	0	516	80	436
Total	\$ 61,157	162,223	161,333	62,047

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

Modified Accrual Basis				
Years Ended June 30,				
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 1,535,034	1,434,982	1,364,342	1,351,824
Tuition	111,963	101,970	98,993	93,516
Other	244,348	224,042	213,518	242,979
Intermediate sources	3,868	980	156	137
State sources	1,547,929	1,419,573	1,427,746	1,357,496
Federal sources	174,598	138,220	141,726	112,424
Total	<u>\$ 3,617,740</u>	<u>3,319,767</u>	<u>3,246,481</u>	<u>3,158,376</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 1,215,190	1,143,577	1,177,728	1,201,522
Special instruction	358,292	305,131	303,304	320,905
Other instruction	438,391	426,870	403,458	328,684
Support services:				
Student services	11,325	10,150	32,459	53,200
Instructional staff services	175,322	110,732	86,793	74,319
Administration services	322,818	412,406	374,093	371,583
Operation and maintenance of plant services	309,887	277,026	316,897	292,847
Transportation services	317,121	161,655	186,545	274,015
Other expenditures:				
Facilities acquisitions	37,740	30,594	8,881	36,516
Long-term debt:				
Principal	136,147	173,362	167,295	123,344
Interest	27,291	35,561	43,524	46,291
AEA flow-through	104,983	101,252	101,744	102,656
Total	<u>\$ 3,454,507</u>	<u>3,188,316</u>	<u>3,202,721</u>	<u>3,225,882</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Adair-Casey Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Adair-Casey Community School District of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 19, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Adair-Casey Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Adair-Casey Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Adair-Casey Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Adair-Casey Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Adair-Casey Community School District's financial statements that is more than inconsequential will not be prevented or detected by Adair-Casey Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Adair-Casey Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adair-Casey Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Adair-Casey Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Adair-Casey Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Adair-Casey Community School District and other parties to whom Adair-Casey Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Adair-Casey Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



NOLTE, CORNMAN & JOHNSON, P.C.

February 19, 2008

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- I-A-07 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The District is aware of the lack of complete segregation of duties and will make changes as the opportunity arises.

Conclusion - Response accepted.

- I-B-07 District and Regional Rents - We noted during our audit that the district receives money for use of facilities when hosting district and regional events and receipts this money into the Student Activity Fund.

Recommendation - Chapter 297.9 of the code of Iowa requires rent to be receipted into the general fund. The district should receipt rent collected for facility usage into the general fund.

Response - The rent collected for the use of the facility will be receipted into the General Fund.

Conclusion - Response accepted.

- I-C-07 Supporting Documents for Payments with Credit Cards - Payments made with credit cards do not always have detailed supporting documentation.

Recommendation - The District has a policy in place for credit card usage. The users of the credit cards need to provide detailed receipts for purchases made. The District should review procedures in place to ensure the proper detailed documentation will be available with paid credit card statements.

Response - Receipts indicating the date, purpose, and nature of the expense are secured for all credit card purchases. The District will strive to obtain the more detailed receipts in addition to the credit card receipt for business meals, when available.

Conclusion - Response acknowledged. The credit card receipt does not provide detail to determine if the payment is allowable; therefore, the actual detail receipt should be obtained prior to payment. The District policy 401.16 requires detail receipts, and if not provided the employee is responsible for expenses incurred. The District should enforce the District policy.

ADAIR-CASEY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting

- II-A-07 Certified Budget - District expenditures for the year ended June 30, 2007, did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District Officials or employees were noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Barry Orness, Board President Substitute Bus Driver	Services	\$1,235
Brian Plowman, Board Member Partner in Plowman & Stanley Trenching	Driveway work (per bid)	\$7,349

According to Chapter 279.A of the Code of Iowa, the transactions with Barry Orness do not appear to represent a conflict of interest.

In accordance with Chapter 279.7A of the code of Iowa, the above transactions with Brian Plowman do not appear to represent a conflict of interest since the amount was competitively bid out.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- II-J-07 Electronic Check Retention - We noted during our audit that the District receives their checks from the bank as photo images showing only the front of the checks. Per Chapter

544D.114 of the Code of Iowa, the District is required to retain both the front and back of check images.

Recommendation - The District should contact the bank to rectify the situation. The District should receive the photo images showing both the front and back of the checks or the original issued check.

Response - Bank depositories of the District have been contacted and asked to provide photo images showing both the front and the back of the checks.

Conclusion - Response accepted.